

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
Case No. S-11-0222

RECEIVED

11 APR -7 AM 10:57

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

KELLY JO HERMAN (CRD# 3251183)

RESPONDENT

REQUEST FOR REVOCATION OF REGISTRATION AND HEARING

Comes now the Staff of the Arkansas Securities Department ("Staff"), by and through its attorney, Amber E. Crouch, and in pursuance of its request for Revocation of Registration and Hearing, states the following:

ADMINISTRATIVE AUTHORITY

1. This matter concerns the revocation of a registration to conduct business as a broker-dealer agent in Arkansas, pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 509 ("Act"), the Rules of the Arkansas Securities Commissioner promulgated thereunder ("Rules"), and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 219, and is therefore properly before the Arkansas Securities Commissioner ("Commissioner"). This Request commences a proceeding as outlined in Rule 603 of the Rules.

RESPONDENT

2. Kelly Jo Herman ("Herman"), Central Registration Depository number ("CRD#") 3251183, is believed to be a resident of Sioux Falls, South Dakota.

3. Herman was registered as a broker-dealer agent with Okoboji Financial Services, Inc. ("Okoboji"), CRD# 33727, from July 5, 1999, through May 14, 2010. Herman filed for registration as a broker-dealer agent in Arkansas with Okoboji on June 29, 2007, and was approved by the Staff on July 3, 2007. Herman was registered as a broker-dealer agent in Arkansas with Okoboji from July 3, 2007, until May 14, 2010, upon which date she voluntarily terminated her registration with Okoboji.

4. The Staff approved Okoboji as a registered broker-dealer in Arkansas on July 3, 2007. On June 17, 2010, Okoboji's registration was terminated through the filing of a Form BDW, broker-dealer withdrawal, with the Arkansas Securities Department ("Department"). Okoboji, subsequently, closed for business.

5. On May 14, 2010, Herman filed for registration as a broker-dealer agent in Arkansas with Capital Financial Services, Inc., CRD# 8408, from which position Herman was permitted to resign on October 1, 2010, due to her failure to follow firm procedures regarding private securities transactions.

6. According to the Department's records, Herman is not registered in any capacity under the Act or in any other jurisdiction.

FACTS SUPPORTING REQUEST

7. The Staff has determined that in 2007 Herman placed \$150,000.00 of an Arkansas client's ("AR1") funds into Provident Resources 1, L.P. ("PR"), a Texas limited partnership private placement offering affiliated with Provident Royalties, L.L.C. ("Provident"), a Delaware limited liability company that maintained a principal place of business in Dallas, Texas.

8. Provident is a company that held oil and gas interests throughout the United States. Since July 2, 2009, Provident and its affiliates, including PR, have been in receivership pursuant to an order issued by the United States District Court for the Northern District of Texas in an action by the Securities and Exchange Commission ("SEC"). In its initial complaint filed July 1, 2009, the SEC alleged fraud in connection with the purchase or sale of securities; employment of a device, scheme, or artifice to defraud; fraud in the offer and sale of securities; and unjust enrichment by Provident in a series of offerings by approximately twenty-one Provident-affiliated corporations and limited partnerships, including PR, which has been labeled a Ponzi scheme.

9. A document obtained by the Staff from the Provident Receiver, Dennis Roossien, Jr., and a July 2, 2007 commission run obtained from Okoboji demonstrate that both AR1's executed

subscription agreement for the investment in PR and AR1's \$150,000.00 for investment in PR were received by Okoboji on June 28, 2007. The July 2, 2007 commission run obtained from Okoboji also indicates that Herman received a 9% commission on AR1's \$150,000.00 investment in PR, which totaled \$13,500.00. The new account form for AR1 obtained from Okoboji was executed by AR1 on July 1, 2007. Copies of the document obtained from the Provident Receiver, the commission run obtained from Okoboji, and AR1's new account form are attached as Exhibits 1-3, respectively.

10. The Staff has determined that AR1's subscription agreement and new account form were executed, and AR1's monies were received, all before Herman was registered as a broker-dealer agent in Arkansas with Okoboji, or Okoboji was registered as a broker-dealer in Arkansas, as Herman and Okoboji were not registered in Arkansas until July 3, 2007.

11. In violation of the Act, Herman transacted business as a broker-dealer agent in the State of Arkansas without being registered when she invested AR1's monies in PR before her registration as a broker-dealer agent was approved in Arkansas.

LEGAL AUTHORITY

12. The Act states that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he or she is registered under the Act. Ark. Code Ann. § 23-42-301(a).

13. The Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if the Commissioner finds that the order is in the public interest and the registrant has willfully violated or willfully failed to comply with any provision of the Act or any rule or order adopted by the Commissioner under the Act. Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(B).

14. If no proceeding is pending or instituted and withdrawal from registration as a broker-dealer agent becomes effective, the Commissioner may nevertheless institute a revocation proceeding under Ark. Code Ann. § 23-42-308(a)(2)(B) within one year after withdrawal became

effective and may enter a revocation order as of the last date on which registration was effective.

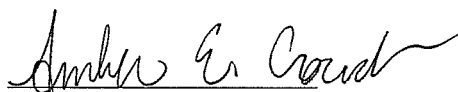
Ark Code Ann. § 23-42-308(e)(3).

15. The Commissioner may for each violation of the Act impose a fine on any broker-dealer, agent, investment adviser, or representative not to exceed \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation. Ark. Code Ann. § 23-42-308(g)(1).

REQUESTED RELIEF

For the reasons set forth herein, the Staff respectfully requests that a hearing be held to consider whether the broker-dealer agent registration of Kelly Jo Herman (CRD# 3251183) should be revoked as of October 1, 2010, which is the last date on which Herman's registration in Arkansas was effective, in accordance with Ark. Code Ann. § 23-42-308(a)(1), (a)(2)(B), and (e)(3), as well as the imposition of a reasonable civil penalty, in accordance with Ark. Code Ann. § 23-42-308(g)(1), for Herman's unregistered activity in violation of the Arkansas Securities Act, Ark. Code Ann. § 23-42-301(a).

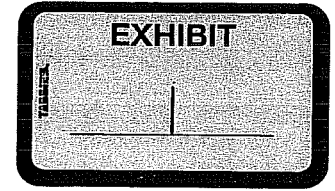
Respectfully submitted,



Amber E. Crouch, Ark. Bar No. 2010216
Staff Attorney
Arkansas Securities Department
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, Arkansas 72201
Telephone: (501) 324-8677

April 7, 2011
Date

Client Name	Client Address	Date Subscription Received	Date Monies Received	Amount of Investment per Sales Force	Original Selling Rep.	Original Selling BD	Current Rep.	Current BD	Rep.	CIRD#	Home State	Company	Registration Data
16		6/29/2007	6/28/2007	\$150,000	Kelly Herman	*Okweji Financial Services, Inc.	Kelly Herman	*Okweji Financial Services, Inc.	Kelly Herman	3251183	SD	Capital Financial Services, Inc. (Okweji Financial, Inc)	(A1) 5/14/10 - T10MRR10 (A1) 7/3/07 - 5/14/10
16		9/13/2007	9/13/2007	\$100,000	Kelly Herman	*Okweji Financial Services, Inc.	Kelly Herman	*Okweji Financial Services, Inc.	Kelly Herman	3251183	SD	Capital Financial Services, Inc. (Okweji Financial, Inc)	(A1) 5/14/10 - T10MRR10 (A1) 7/3/07 - 5/14/10



Member NASD, SIPC

Dallas, TX. 75247

Fax (214) 580-5809

Commission Payments for Provident Resources 1, LP

Selling Broker/Dealer

Okoboji Financial Services

Selling Representative and Customer breakdown

[illegible]

EXHIBIT

2

NAME: NASD/SIPC

This acknowledgment is intended to clearly communicate to Okoboji Financial Services clients certain issues and risks specific to DPPs (Direct Participation Programs). Generally speaking, these investments include investments such as LLC units, limited partnership units, non-traded REIT shares, tenant in common interests, and other non-conventional investments. Although these products may have attractive qualities, it is crucial that investors understand the distinct features, risks, and rewards of any product in which they invest.

Client Information

Client Net Worth (exclusive of Home): \$ 5.5 million

Client Equity in Primary Residence: \$ 752,600

Source of Funds to be used in this Investment:

Client Short Term Assets (including cash) \$ 250K
(Short term assets are funds or investments that can be accessed within 1 year)

Client Initials
(required)

CLIENT ACKNOWLEDGEMENTS

I have received, read, and understand the Prospectus or Offering Memorandum for this investment.

I understand that this is a long-term investment with an indefinite holding period and little or no opportunity for me to sell it or withdraw funds. There is currently no efficient market if I wish to sell my investment, and if a market develops, the price I may be able to get may be far less than I paid.

My investment representative has discussed liquid investments such as stocks, bonds, mutual funds, or C.D.s that could be used instead of these non-liquid investments, but I believe the DPP investment is right for my situation, despite the lack of liquidity.

I have adequate liquidity (cash or short-term investments stated above), when considering my total resources, to meet my present and future needs after making this non-liquid investment referenced above.

I understand that this investment may carry more risk than a traditional investment and that I may lose some or all of my investment. I have read and understand the risk factors section of the offering document or prospectus and am willing to accept those risks.

I am sophisticated in financial and business affairs and am able to evaluate the risks and rewards of this investment.

I am in a financial position appropriate to enable me to realize to a significant extent, the benefits described in the prospectus or offering document, including the tax benefits where they are a significant aspect of the program.

I understand that Okoboji Financial Services must ensure this investment is suitable for me before allowing me to proceed with the investment. In general, 'suitable' means that the investment meets my goals and does not subject me to more than a reasonable risk given my financial status, tax status, investment objectives, and risk tolerance. I believe this investment is suitable based upon my situation.

If this investment makes up a high concentration of my overall investment portfolio, I understand that if the investment performs poorly, a significant amount of my assets could be lost.

Other reasons I feel this investment is suitable for me given my situation.

Print Name (please print)

Client Name (please print)

Client Signature _____

Date _____

Client Signature: _____

July

I have reviewed this disclosure document with the client(s) and am comfortable that they understand the risk and reward relationship associated with this investment.

Rep Signature Kelly J. Heiman Rep # DD4